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REPORT TO THE UNITED NATIONS BOARD OF AUDITORS AND THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS REGARDING GENERAL ASSEMBLY RESOLUTION 45/235

SUMMARY

In compliance with General Assembly resolution 45/235 of 21 December 1990, the present document summarizes the recommendations of the United Nations Board of Auditors on the 1988-1989 UNICEF biennial accounts and the specific measures that UNICEF has taken to implement those recommendations. It also discusses measures to facilitate reporting by staff members of inappropriate use of the resources, inventory controls on non-expendable property and control on the payment of allowances and benefits to staff members.

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INTRODUCTION

1. In resolution 45/235, the General Assembly requested that the Secretary-General and executive heads of United Nations organizations and programmes submit to their respective governing bodies, as well as to the Assembly at its forty-sixth session, detailed progress reports on steps taken to implement previous recommendations of the Board of Auditors and the related recommendations of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and to explain if any of those recommendations have not yet been implemented. The Assembly also requested the Board of Auditors and ACABQ to evaluate the efficacy of those measures. The Secretary-General and the executive heads were also requested to consider, in consultation with the Board of Auditors and ACABQ, effective measures to facilitate reporting by staff members on a confidential basis of any inappropriate use of the resources of a United Nations organization or programme; to implement stringent inventory controls on non-expendable property; to institute without delay more effective control on the payment of all allowances and benefits to staff members; and to report on all relevant measures taken to the General Assembly at its forty-sixth session.

2. In compliance with resolution 45/235, the present document will review each request in the light of UNICEF experience.

3. As also requested in General Assembly resolution 45/235, the present document will be submitted to the United Nations Board of Auditors and to ACABQ for their evaluation of the efficacy of those measures.

I. PROGRESS REPORT REGARDING SPECIFIC MEASURES TAKEN TO IMPLEMENT PREVIOUS RECOMMENDATIONS OF THE BOARD OF AUDITORS

4. This section restates the recommendations of the Board of Auditors deriving from the audits of the UNICEF biennial accounts for the period 1988-1989 1/ and, following each recommendation, describes the specific measures taken by UNICEF to date to implement those recommendations. The relevant recommendations of ACABQ have also been taken into consideration in adopting these measures.

Recommendation No. 1

5. The total charge of $8.3 million on the Emergency Reserve Fund for the biennium, which was distributed among general resources programme expenditures in the beneficiary countries of the Fund, should be adjusted and disclosed separately in statement VI.

Measures taken by UNICEF

6. In the interim financial reports and statements for the year ended 31 December 1990, the total charges on the Emergency Reserve Fund are disclosed separately in statement VI, as recommended. This procedure will be followed consistently in the future.

Recommendation No. 2

7. The policy of recognizing cash advances to Governments in the accounts of UNICEF as programme expenditures must be supported by sufficient evidence on the effective utilization of these advances for purposes intended. In this connection, the following must be considered:

(a) A more effective procedure for advancing and monitoring cash advances to Governments should be instituted to ensure adequate compliance with the policy on timely liquidation of these advances;

(b) The format of form 153 should be reviewed to take account of the ageing of advances and to include other relevant management information;

(c) In order to facilitate monitoring, field offices should submit expenditure returns on cash advances directly to the Accounts Section;

(d) Field offices should be directed to include the policy on cash advances in all memoranda of understanding with Governments. For example, as spelt out in financial circular No. 15, no further transfer of funds may be made if a certificate of utilization of prior financing is outstanding for more than six months.

Measures taken by UNICEF

8. UNICEF has taken the following steps to ensure appropriate monitoring and control of cash advances to Governments:

(a) In October 1990, the Executive Director sent telexes to all heads of field offices, requesting timely reporting and appropriate management of cash advances to Governments and instructing them to obtain necessary documentation from Governments and to submit the required report to headquarters as soon as possible. In addition, at the initiative of the Comptroller, a high-level interdivisional task force was established to review and strengthen the control and management mechanism of advances to Governments. The task force will review accounting procedures, line of responsibilities and reporting structure of all parties involved, and recommend measures to improve the situation. The task force has started preparatory work and has scheduled a full two-week meeting for April 1991;

(b) The format of the report submitted to headquarters by UNICEF field offices (Form 153) has been reviewed and redesigned to take account of ageing of advances and will be implemented upon completion of the task force review;

(c) A senior staff member of the Accounts Section of the Division of Financial Management has been assigned to analyse and follow up the reports from field offices on advances to Governments;

(d) Upon completion of the task force review, field offices will be directed as to the necessary policy and procedures in line with the recommendations of the external auditors.

Recommendation No. 3

9. The Administration is urged to continue with its efforts of securing the review of UNICEF financial regulation 4.10 with a view to ensuring consistency in the recording of gains and losses on currency exchange.

Measures taken by UNICEF

10. Following Executive Board approval at its April 1990 regular session of the amendment to financial regulation 4.10 (decision 1990/28), a consistent approach in recording gains and losses is now being implemented. The revised regulation reads as follows:

> "Regulation 4.10: Differences resulting from the payment of contributions pledged in currencies other than United States dollars shall be recorded against these contributions".

Recommendation No. 4

11. The need to siphon excess liquidity into the provision of additional services should be considered.

Measures taken by UNICEF

12. With regard to the utilization of excess liquidity in convertible currencies, general resources expenditure for the current medium-term plan are at levels that will steadily reduce the general resources convertible cash balance to the required level of 10 per cent of general resources income by the end of 1993. With regard to the increase in non-convertible currency holdings, UNICEF is making every effort to utilize these holdings, although there have been some constraints because of the limited availability, in some cases, of appropriate goods and services to purchase.

Recommendation No. 5

13. In order to ensure accuracy and reliability of accounting data, the Administration should continue to explore the possibility of instituting effective action to improve the coding of accounts and to enhance the integrity of data at the field office level.

Measures taken by UNICEF

14. The administration has supported training activities for field office personnel in all areas related to the submission of accounts in a correct and timely manner. At the same time, dialogues and studies are regularly undertaken to improve the electronic data processing systems for field office reporting of accounts to headquarters in order further to enhance data integrity.

Recommendation No. 6

15. Project planning should adequately articulate implementation requirements to enhance programme delivery. In addition, circumspection is advised in the re-allocation of funds from slow-moving projects to fast-moving ones, so that the policy does not result in the unconscious neglect of projects located in "difficult" areas which have perennial implementation problems.

Measures taken by UNICEF

16. UNICEF has been making continuous efforts to enhance programme delivery, not only in terms of overall implementation, but also in terms of specific needs and priorities of the country programmes. Preliminary data show that the implementation of country programmes in 1990, as compared to 1989, improved in terms of overall implementation and number of countries with a low implementation rate, as shown in the following table:

	1989			1990		
	SF	GR	All funds	SF	GR	All funds
Total call-forward level (in millions of United States dollars)	320	261	581	305	324	629
Number of countries with low implementation rate (below 75 per cent)	48	15	35	37	13	16
Implementation rate (%) (global)	76	91	82	79	91	85

SF = supplementary funds.
GR = general resources.

17. The level of call-forwards in 1990 increased by 8 per cent from $581 million in 1989 to $629 million in 1990. Correspondingly, the number of countries with low implementation rates (below 75 per cent) for combined sources of funding was reduced by one half, from 35 to 16 countries. Only 6 out of 44 countries in Africa had low implementation rates in 1990, as compared to 18 in 1989. Of the six countries, two were facing emergency situations, three were managed by sub-offices and one by a newly established country office.

Recommendation No. 7

18. The monitoring of project implementation needs further improvement so that overexpenditures that would otherwise be absorbed by general resources in the absence of supplementary funding could either be eliminated or kept to a minimum.

Measures taken by UNICEF

19. The administration is aware of the issue raised by recommendation 7, and one of the principal thrusts for 1991 will be improved monitoring of programme implementation, both quantitatively and qualitatively. While accepting the validity of this recommendation, the administration believes overexpenditure would be unavoidable in some selected cases because of price fluctuations of the orders placed, depending on the place of origin. However, strict scrutiny will be observed so that it is kept to a minimum.

Recommendation No. 8

20. With the rate of expansion in the operational activities of UNICEF, which has exceeded the staff resources, it will be necessary for the administration to take steps to assess staff needs, especially of the operational divisions, with a view to taking appropriate corrective action.

Measures taken by UNICEF

21. In 1990, the Budget Planning and Review Committee of UNICEF conducted a comprehensive review of the staff resource requirements of all UNICEF offices, including operational divisions, to maximize utilization of resources and to meet the challenging goals of the organization. The outcome of the review is reflected in the proposed budget for the biennium 1992-1993 (E/ICEF/1991/AB/L.1), which includes the necessary strengthening of operational functions, both at headquarters and field offices, within the constraints of expected resource affordability.

Recommendation No. 9

22. During the fund-raising activities, prospective donors should be encouraged to provide sufficient information on their contributions in order to facilitate their accounting, acknowledgement and effective utilization. In this connection, a standard advice form indicating the relevant information may be completed by donors.

Measures taken by UNICEF

23. The administration supports the recommendation that a standard form should be designed for donor use and agrees with the auditors that it is necessary to alert donors to the needs of UNICEF. To this end, the administration has requested donors to indicate the purpose of funds when payment is received.

Recommendation No. 10

24. Payment of bills should as far as possible be delayed until the last date in order to explore the possibility of obtaining maximum returns on monies that can be put into short-term investments.

Measures taken by UNICEF

25. Additional care, especially in the past year, has been taken by the administration to ensure that payments are made as close to the due date as possible, while at the same time avoiding incurring charges for late payments.

Recommendation No. 11

26. The existing procedures for reporting staff indebtedness before the payment of the final cash advance on separation require adequate monitoring so that all moneys due from separating staff member can be fully and promptly recovered prior to separation.

Measures taken by UNICEF

27. The administration has taken steps to strengthen overall control over staff personal accounts. The integration of all staff-related accounts under one supervisor will be implemented in 1991 to streamline further existing procedures and ensure adequate monitoring thereof. In the mean time, intensified efforts are being made to review and ensure correctness of account balances.

Recommendation No. 12

28. The need for the centralized control of "attractive" inventory items, such as computers and vehicles, should be considered. For this purpose, field offices should submit copies of their inventory as of 31 December each year to be reflected in the headquarters master inventory list.

Measures taken by UNICEF

29. Implementation of the recommendation was undertaken by the administration in 1990, resulting in the full compliance by all field offices in submitting their 1989 inventory list of non-expendable property. The necessary follow-up will be made to ensure consistent implementation of the recommendation in subsequent years.

Recommendation No. 13

30. Action should be taken to ensure the conclusion of a formal and adequate custodial arrangement of UNICEF drugs and equipment in a field office.

Measures taken by UNICEF

31. A new country office had been established to facilitate operations in that country and corrective measures are being taken to ensure adequate custodial procedures. The effectiveness of the measures to avoid non-recurrence of the finding will be properly evaluated.

Recommendation No. 14

32. UNICEF must strictly adhere to its policy of refraining from contracting construction projects with high commitments that might overburden its financial resources in the event that counterpart contributions are not forthcoming.

Measures taken by UNICEF

33. In response to the recommendation, the policy on support for construction activities was reviewed, and the administration gave instructions that discouraged contracting construction projects in principle and that these be undertaken only when deemed exceptionally necessary after due consultation with headquarters.

Recommendation No. 15

34. The requesting units of the Greeting Card Operation (GCO) should be required to allow adequate lead time in their requisitions in order to ensure that materials are procured under optimum delivery, price and quality conditions.

Measures taken by UNICEF

35. GCO management agreed with the recommendation and has been reviewing the appropriate procedures to ensure that materials are procured under optimum delivery, price and quality conditions. In order to allow adequate lead-time, an improved process of forward planning and ordering system is under consideration, in cooperation with the relevant National Committees for UNICEF.

II. MEASURES TO FACILITATE REPORTING BY STAFF MEMBERS ON A CONFIDENTIAL BASIS OF INAPPROPRIATE USE OF RESOURCES

36. UNICEF financial rule 103.1 stipulates that:

> "All officials shall be accountable to the Executive Director for the regularity of action taken by them in the course of tneir official duties. Any official who takes action contrary to the regulations, rules

or administrative issuances may be held personally responsible and financially liable for the consequences of such action."

Further, rule 112.25 stipulates that any loss of UNICEF cash, negotiable instrument or property must be reported at once to the Comptroller.

37. It is the responsibility of the heads of headquarters divisions and field offices to ensure that necessary control procedures are in place, understood, reviewed and consistently exercised to prevent any wrongdoing or occurrence of fraud. Therefore, as a part of their daily duties, UNICEF staff members are expected to report to management on a confidential basis any inappropriate use of the resources of the organization.

38. In order to ensure those procedures, the administration has issued various instructions and directives. For example, financial circular No. 29 concerning "cases of fraud and presumptive fraud" sets outs procedures for dealing with and reporting on presumptive fraud or alleged wrong doings. The administrative instruction on revised disciplinary measures and procedures (AI/1990-05) was issued in September 1990 to inform all UNICEF staff of the new policy and procedures to be followed in disciplinary cases and to provide new guidelines on disciplinary procedures; confidentiality of all staff members involved in the disciplinary process is stressed throughout the instruction. In addition, management is taking various measures to implement recommendations of both internal and external auditors to prevent any inappropriate use of resources.

III. INVENTORY CONTROLS ON NON-EXPENDABLE PROPERTY

39. UNICEF financial rule 112.33 stipulates that "the Comptroller shall determine the types of supplies, equipment and other property for which records shall be maintained ... ". Rule 112.74 further stipulates that "physical inventory shall be taken of supplies, equipment or other property owned by or entrusted to UNICEF annually or at such intervals as deemed necessary, to ensure adequate control over such property".

40. In view of the decentralized nature of UNICEF operations, the responsibility for the maintenance and accountability of property records and inventory controls rests with the heads of offices. All field offices are required to conduct a physical inventory periodically and report to headquarters the total acquisition value of non-expendable property as of end-December each year.

41. A computerized inventory system has been developed at headquarters to maintain and control non-expendable property of all UNICEF field offices, and follow-up action has been initiated to ensure that all field offices comply with the inventory procedures. In addition, a consulting firm is being hired by the Office of Administrative Management to strengthen the current UNICEF system of inventory control of non-expendable property. The terms of reference of the consultant will include the introduction of a more comprehensive inventory management programme, to be completed in 1991.

IV. CONTROL IN THE PAYMENT OF ALL ALLOWANCES AND BENEFITS TO STAFF MEMBERS

42. The administration has consistently tried to keep effective control on the payment of all allowances and benefits to staff members. An extensive review of some 34 benefits and allowances was made by the administration in 1987 and an executive directive entitled "Strengthening of internal controls procedures relating to staff benefits and allowances" was issued to all offices to ensure proper handling of various cases of benefits and allowances (CF/EXD-IC 1987-14 of 23 April 1987). In view of the continuous importance of this matter, the Division of Financial Management has included in its 1991 work plan the further review and strengthening of the procedure as a priority project.

Notes

1/ Official Records of the General Assembly, Forty-fifth Session, Supplement No. 5B and Corrigendum (A/45/5/Add.2 and Corr.1).